



6450-01-P

## DEPARTMENT OF ENERGY

### SOUTHWESTERN POWER ADMINISTRATION

#### Integrated System Power Rates

**AGENCY:** Southwestern Power Administration, DOE

**ACTION:** Notice of public review and comment

**SUMMARY:** The Administrator, Southwestern Power Administration (Southwestern), has prepared Current and Revised 2013 Power Repayment Studies which show the need for an increase in annual revenues to meet cost recovery criteria. Such increased revenues are needed primarily to cover the increased costs associated with increased operations and maintenance and increases to investments and replacements in the hydroelectric generating facilities. The Administrator of Southwestern has developed proposed Integrated System rates, which are supported by the rate design study, to recover the required revenues. The Revised 2013 Study indicates that the proposed rates would increase annual system revenues approximately 4.7 percent from \$184,059,100 to \$192,765,802 effective October 1, 2013 through September 30, 2017.

**DATES:** The consultation and comment period will begin on the date of publication of this Federal Register notice and will end on ***[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]***. If requested, a combined Public Information and Comment Forum (Forum) will be held in Tulsa, Oklahoma at 9:00 a.m. on July 11, 2013. If requested, persons desiring the Forum to be held should indicate in writing to the Southwestern Vice President, Chief Operating Officer (see FOR FURTHER INFORMATION CONTACT) by letter, email, or facsimile transmission (918-595-6656) by ***[INSERT DATE 7 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]***, their request for such Forum. If no request is received, no such Forum will be held.

**ADDRESSES:** If requested, the Forum will be held in Southwestern's offices, Room 1460, Williams Center Tower I, One West Third Street, Tulsa, Oklahoma 74103.

**FOR FURTHER INFORMATION CONTACT:** Mr. James K. McDonald, Vice President, Chief Operating Officer, Office of Corporate Operations, Southwestern Power Administration, U.S. Department of Energy, One West Third Street, Tulsa, Oklahoma 74103, (918) 595-6690, [jim.mcdonald@swpa.gov](mailto:jim.mcdonald@swpa.gov).

**SUPPLEMENTARY INFORMATION:** Originally established by Secretarial Order No. 1865 dated August 31, 1943, Southwestern is an agency within the U.S. Department of Energy created by the Department of Energy Organization Act, P.L. 95-91, dated August 4, 1977. Guidelines for preparation of power repayment studies are included in DOE Order No. RA 6120.2 entitled Power Marketing Administration Financial Reporting. Procedures for public participation in power and transmission rate adjustments of the Power Marketing Administrations are found at title 10, part 903, subpart A of the Code of Federal Regulations (10 CFR 903). Procedures for the confirmation and approval of rates for the Federal Power Marketing Administrations are found at title 18, part 300, subpart L of the Code of Federal Regulations (18 CFR 300).

Southwestern markets power from 24 multi-purpose reservoir projects with hydroelectric power facilities constructed and operated by the U.S. Army Corps of Engineers (Corps). These projects are located in the states of Arkansas, Missouri, Oklahoma, and Texas. Southwestern's marketing area includes these states plus Kansas and Louisiana. The costs associated with the hydropower facilities of 22 of the 24 projects are repaid via revenues received under the Integrated System rates, as are those of Southwestern's transmission facilities, which consist of 1,380 miles of high-voltage transmission lines, 25 substations, and 46 microwave and VHF radio sites. Costs associated with the Sam Rayburn and Robert D. Willis Dams, two Corps projects that are isolated hydraulically, electrically, and financially from the Integrated System, are repaid under separate rate schedules and are not addressed in this notice.

Following Department of Energy guidelines, the Administrator of Southwestern, prepared the Current Power Repayment Study using existing system rates.<sup>1</sup> This study indicates that Southwestern's legal requirement to repay the investment in power generating and transmission facilities for power and energy marketed by Southwestern will not be met without an increase in revenues. The need for increased revenues is primarily due to increased costs associated with operations and maintenance and increased investments and replacements in hydroelectric generating facilities for the Corps and Southwestern's transmission system. The Revised Power Repayment Study shows that additional annual revenues of \$8,706,702 (a 4.7 percent increase) are needed to satisfy repayment criteria.

The Rate Design Study which allocates the revenue requirement to the various system rate schedules for recovery and provides for transmission service rates in general conformance with FERC Order No. 888 has also been completed.<sup>2</sup> The proposed new rates would increase annual revenues to an estimated \$192,765,802 and would satisfy the present financial criteria for repayment of the project and transmission system investments within the required number of years. As indicated in the Rate Design Study, this revenue would be developed primarily through increases in the charges for power sales capacity and energy and transmission services, including some of the ancillary services for deliveries of both Federal and non-Federal power and associated energy from the transmission system of Southwestern.

A second component of the Integrated System rates for power and energy, the Purchased Power Adder (PPA), produces revenues which are segregated to cover the cost of power

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<sup>1</sup> FERC, on March 5, 2012, confirmed and approved the existing Integrated System rate schedules for the period January 1, 2012 through September 30, 2015. See 138 FERC ¶ 62,199.

<sup>2</sup> Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, 61 FR 21,540 (5/10/1996), FERC Stats. & Regs. ¶ 31,036 (1996), order on reh'g, Order No. 888-A, 62 FR 12,274 (3/14/1997), FERC Stats. & Regs. ¶ 31,048 (1997), order on reh'g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998), aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC, 225 F.3d 667 (D.C. Cir. 2000), aff'd sub nom. New York v. FERC, 535 U.S. 1 (2002).

purchased to meet contractual obligations. The PPA is established to reflect revenues required to meet Southwestern's purchased power needs on an average annual basis. The PPA rate will decrease slightly to reflect the declining average cost of purchasing power over the period applied to our projected power needs. The Administrator's authority to adjust the PPA at his discretion with the Purchased Power Adder Adjustment (PPAA) will remain in force.<sup>3</sup> The PPAA is limited to two adjustments per year not to exceed a total of  $\pm 5.9$  mills per kilowatthour per year. The PPA will decrease to \$0.0059 per kilowatthour and the PPAA will remain at \$0.0021 per kilowatthour effective October 1, 2013.

A revision to the component for Regulation Purchased Adder service has been proposed to the existing rate schedules to include a four-year transition to a full reimbursement based on average annual replacement energy costs for supplying regulation service to those customers inside the Balancing Authority Area (BAA). This revision to the Regulation Purchased Adder is being proposed so that all customers receiving regulation service within the BAA are appropriately assessed for their consumption of the service that is purchased to supplement the Federal resource used to support the BAA's requirement to regulate for loads. A copy of the proposed Regulation Purchased Adder language contained within the proposed Rate Schedules can be requested from Mr. James K. McDonald at the address listed above (see **FOR FURTHER INFORMATION CONTACT**).

Below is a general comparison of the existing and proposed system rates:

	<b>Existing Rates</b>	<b>Proposed Rates</b>
<b>GENERATION RATES</b>	<b>Rate Schedule P-11</b> (System Peaking)	<b>Rate Schedule P-13</b> (System Peaking)
<u>Capacity</u> Grid or 138-161kV	\$4.29/kW/Mo	\$4.50/kW/Mo
Regulation & Freq. Response (generation in BAA)	\$0.09/kW/Mo	\$0.07/kW/Mo
Regulation Purchased Adder (load within SWPA BAA)	prorata share of total energy cost	prorata share of total energy cost (includes refinement to procedure)
Reserve Ancillary Services	\$0.0224/kW/Mo	\$0.0292/kW/Mo

<sup>3</sup> See 138 FERC ¶ 62,199 (2012).

	<b>Existing Rates</b>	<b>Proposed Rates</b>
<b><u>GENERATION RATES Cont'd</u></b>	<b>Rate Schedule P-11 (System Peaking)</b>	<b>Rate Schedule P-13 (System Peaking)</b>
Purchased Power Adder	\$0.0062/kWh	\$0.0059/kWh
Administrator's Discretionary Adder Adjustment Limit	±\$0.0062/kWh annually	±\$0.0059/kWh annually
Transformation Service 69kV (applied to usage, not reservation)	\$0.42/kW/Mo	\$0.46/kW/Mo
<u>Energy</u>		
Peaking Energy	\$0.0091/kWh	\$0.0094/kWh
Supplemental Peaking Energy	\$0.0091/kWh	\$0.0094/kWh
<b><u>TRANSMISSION RATES</u></b>	<b>Rate Schedule NFTS-11 (Transmission)</b>	<b>Rate Schedule NFTS-13 (Transmission)</b>
<u>Capacity</u> (Firm Reservation with energy) Grid or 138-161 kV	\$1.28/kW/Mo \$0.320/kW/Week \$0.0582/kW/Day	\$1.48/kW/Mo \$0.370/kW/Week \$0.0673/kW/Day
Required Ancillary Services (generation in BAA)	\$0.13/kW/Mo, or \$0.033/kW/Week, or \$0.006/kW/Day	\$0.13/kW/Mo, or \$0.033/kW/Week, or \$0.006/kW/Day
Reserve Ancillary Services (generation in BAA)	\$0.0224/kW/Mo, or \$0.0056/kW/Week, or \$0.00102/kW/Day	\$0.0292/kW/Mo, or \$0.0073/kW/Week, or \$0.00132/kW/Day,
Regulation & Freq Response (deliveries within BAA)	\$0.09/kW/Mo, or \$0.023/kW/Week, or \$0.0041/kW/Day	\$0.07/kW/Mo, or \$0.018/kW/Week, or \$0.0032/kW/Day
Transformation Service 69 kV and below (applied on usage, not reservation) Weekly and daily rates not applied.	\$0.42/kW/Mo	\$0.46/kW/Mo
<u>Capacity</u> (Non-firm with energy)	80% of firm monthly charge divided by 4 for weekly rate, divided by 22 for daily rate, and divided by 352 for hourly rate	80% of firm monthly charge divided by 4 for weekly rate, divided by 22 for daily rate, and divided by 352 for hourly rate
<u>Network Service</u>	\$1.28/kW/Mo	\$1.48/kW/Mo
Required Ancillary Services:	\$0.13/kW/Mo	\$0.13/kW/Mo
Reserve Ancillary Services (generation in BAA)	\$0.00224/kW/Mo	\$0.00292/kW/Mo
Regulation & Freq Response (deliveries within BAA)	\$0.09/kW/Mo	\$0.07/kW/Mo

	Existing Rates	Proposed Rates
<b>EXCESS ENERGY RATES</b>	Rate Schedule EE-11 (Excess Energy)	Rate Schedule EE-13 (Excess Energy)
Energy	\$0.0091/kWh	\$0.0094/kWh

Southwestern's customers and other interested parties may receive copies of the Integrated System Power Repayment Studies and/or Rate Design Study, by submitting a request to Mr. James K. McDonald (see **FOR FURTHER INFORMATION CONTACT**).

A Public Information and Comment Forum (Forum) is tentatively scheduled to be held on July 11, 2013, to explain to customers and interested parties the proposed rates and supporting studies and to allow for comment. A chairman, who will be responsible for orderly procedure, will conduct the Forum if a Forum is requested. Questions concerning the rates, studies, and information presented at the Forum will be answered, to the extent possible, at the Forum. Questions not answered at the Forum will be answered in writing. Questions involving voluminous data contained in Southwestern's records may best be answered by consultation and review of pertinent records at Southwestern's offices.

Persons requesting that a Forum be held should indicate in writing to the Southwestern Vice President and Chief Operating Officer (see **FOR FURTHER INFORMATION CONTACT**) by letter, email, or facsimile transmission (918-595-6656) by ***[INSERT DATE 7 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]***, their request for such a Forum. If no request is received, no such Forum will be held. Persons interested in speaking at the Forum, if held, should submit a request to Mr. James K. McDonald, Vice President and Chief Operating Officer, Southwestern, at least seven (7) calendar days prior to the Forum so that a list of forum participants can be developed. The chairman may allow others to speak if time permits.

A transcript of the Forum, if held, will be made. Copies of the transcript and all documents introduced will be available for review at Southwestern's offices (see **ADDRESSES**)

during normal business hours. Copies of the transcript and all documents introduced may also be obtained, for a fee, from the transcribing service.

All written comments or an electronic copy in MS Word on the proposed Integrated System Rates are due on or before [***INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER***]. Comments should be submitted to Mr. James K. McDonald, Vice President and Chief Operating Officer, Southwestern, (see **FOR FURTHER INFORMATION CONTACT**).

Following review of the oral and written comments and the information gathered in the course of the proceeding, the Administrator will submit the finalized Integrated System Power Repayment Studies and Rate Design Study in support of the proposed rates to the Deputy Secretary of Energy for confirmation and approval on an interim basis, and subsequently to the Federal Energy Regulatory Commission for confirmation and approval on a final basis. The Commission will allow the public an opportunity to provide written comments on the proposed rate increase before making a final decision.

Dated: June 24, 2013

Christopher M. Turner  
Administrator

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